

FINANCIAL STATEMENT AUDIT FINDINGS AND MANAGEMENT COMMENTS

Audit Opinions



Unqualified Opinion

(Also known as a
“Clean Opinion”) –

Issued when 1) accounting principles used are appropriate, 2) disclosures are adequate, 3) data is presented in a reasonable manner, 4) underlying events and transactions are fairly reflected in the financial statements, and 5) the financial statements have not been materially affected by changes in accounting principles.

Qualified Opinion – Issued when there is 1) a lack of sufficient evidential matter, or 2) a departure from Generally Accepted Accounting Principles (GAAP).

Disclaimer of Opinion – Issued when the auditor has not collected sufficient evidential matter to form an opinion on the financial statements. The effects are so material that it would be inappropriate to issue a qualified opinion.



SAS 70 - a review of the internal control structure of an organization that processes transactions or accounts for assets or liabilities of another entity.

HHS received an unqualified, or “clean” audit opinion on the Departmentwide FY 1999 financial statements. This is a first for the Department, and a notable accomplishment over our FY 1996 disclaimer of opinion. For details, please see the auditor’s opinion in Section V.

Individual OPDIV audit findings were not all finalized as this report went to print. When available, those reports will be posted to the respective OPDIV home pages. Those addresses are found on the inside front cover of this report.

Reviews in accordance with Statement on Auditing Standards (SAS) 70 were conducted during FY 1999 for several shared financial systems, and the auditors findings from those reviews were incorporated into the Departmentwide auditor’s report.

In keeping with the U.S. CFO Council’s “streamlining” philosophy of issuing one “accountability” document and one “planning” document per year, the Department’s published Financial Management Five-Year Plan provides detailed information on our plans and goals for maintaining our “clean” opinion and resolving our audit findings.

Limitations of the Financial Statements

In accordance with OMB Bulletin 97-01, "Form and Content of Agency Financial Statements," we are disclosing the following limitations of the HHS FY 1999 financial statements, which are contained in this Accountability Report.

- The financial statements have been prepared to report the financial position and results of operations of HHS, pursuant to the requirements of the Chief Financial Officers (CFO) Act of 1990, as amended by the Government Management Reform Act (GMRA) of 1994.
- While statements have been prepared from HHS' books and records in accordance with the formats prescribed by OMB, the statements are different from the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records.
- The statements should be read with the realization that they are for a component of a sovereign entity, that liabilities not covered by budgetary resources cannot be liquidated without the enactment of an appropriation, and the payment of all liabilities other than for contracts can be abrogated by the sovereign entity.

Issue Category	HHS Audit Findings History: FY 1996 – FY 1999							
	FY 1996		FY 1997		FY 1998		FY 1999	
	Qualification Concerning Disclaimer of Opinion	Material Weakness	Qualification Causing Qualified Opinion	Material Weakness	Qualification Concerning Qualified Opinion	Material Weakness	Qualifications	Material Weakness
Medicare Accounts Payable	X	X*		X				
SMI Revenue	X							
Medicare/ Medicaid Accounts Receivable	X	X*	X		X (includes Medicare contractor receivables only excludes Medicaid)	X (includes Medicare contractor receivables only excludes Medicaid)		X (includes Medicare contractor receivables only, excludes Medicaid)
Cost Reports	X		X					
Net Position	X	X	X	**				
Pension Liability	X							
Initial Audit	X							
EDP Controls		X		X		X		X
Grants Oversight and Accounting		X (includes oversight)	X (excludes oversight)	X (excludes oversight)				
Medicare Claims Error Rate		X		X				
Intra-Entity Departmentwide Transactions			X					
Financial Reporting				X**		X		X
New Statements					X			
TOTAL	7	5	5	5	2	3	0	3
Resolved From Prior Year	Not Applicable	Not Applicable	4	1**	4	3	2	0
New	7	5	2	1	1	0	0	0

* Consolidated into one material weakness citing both accounts payable and receivable in FY 1996.

** Net position issue from 1996 was consolidated into financial reporting issue in FY 1997.